Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon New England Inc.,	)	
et. al., for Authority	)	
to Provide In-Region, InterLATA Services	)	WC Docket No. 02-157
in New Hampshire and Delaware	)	
	)	

DECLARATION OF CHRIS FRENTRUP
ON BEHALF OF WORLDCOM, INC.

Based on my personal knowledge and on information learned in the course of my duties, I, Chris Frentrup, declare as follows:

I. INTRODUCTION AND SUMMARY

1. My name is Chris Frentrup. I am employed by WorldCom, Inc. ("WorldCom") as a Senior Economist in the Public Policy Analysis Group of the Federal Advocacy organization. In that position, I am responsible for analyzing economic issues relating to telecommunications industry regulation and public policy, and assisting in the development and advocacy of WorldCom's public policy positions. I have filed declarations in review of several previous Bell company 271 applications. I have also participated in the development and advocacy of the HAI Model, a model used in the estimation of telecommunications network costs.

2. The purpose of this Declaration is to show that non-loop rates are excessive in Delaware, especially when compared to the rates in other Verizon states. This is the case even using as the basis of comparison the state-specific demand levels and the total of all the non-

loop rate elements combined, as the Commission has done in prior Section 271 approvals.[1] This being the case, the Commission should reject Verizon's section 271 application for Delaware untilVerizon sets its non-loop rates at total element long run incremental cost ("TELRIC") levels.

II. BACKGROUND

3. The vast majority of recurring loop and non-loop rates in Delaware were set in the Delaware Public Service Commission's (PSC) Phase I proceeding. That proceeding was initiated by a filing by Verizon on December 30, 1996 of a statement of generally acceptable terms. Upon review of this filing, the PSC made several modifications to the inputs Verizon used in setting its rates, rendering its decision on July 8, 1997. These modifications resulted in lower rates than Verizon had originally filed.

III. A BENCHMARK ANALYSIS SHOWS DELAWARE NON-LOOP RATES EXCEED TELRIC LEVELS

4. In attempting to defend its unbundled network element ("UNE") rates in Delaware, Verizon provides two benchmark analyses that compare its rates to the most recently adopted New York UNE rates – one analysis for loop rates and one for loop and non-loop rates combined. For both these comparisons, Verizon demonstrates that the ratio of rates in Delaware to rates in New York is less than the ratio of the costs in those two states, as measured by the Commission's Synthesis Model ("SM") adjusted to reflect UNE costs.[2] But Verizon does not provide a benchmark analysis for non-loop costs alone. Verizon offers no justification for

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1 See, e.g., Application by Verizon New Jersey Inc., Bell Atlantic Communication, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization To Provide In-Region, InterLATA Services in New Jersey, WC Docket No. 02-67, Memorandum Opinion and Order, FCC 02-189 (rel. June 24, 2002) (NJ 271 Order) at ¶ 52.
2 See Martin/Garzillo/Sanford Delaware Declaration at pages 29 and 31.

choosing not to evaluate non-loop costs separately. The Commission has always analyzed loop and non-loop costs separately.[3]

5. Performing the benchmark analysis for non-loop costs alone shows that Delaware's rates are well above New York, much less TELRIC levels. Non-loop costs in Delaware are only 11 percent higher than non-loop costs in New York, according to the SM. However, even using Verizon's own state-specific usage data to compute total non-loop cost, Verizon's non-loop rates in Delaware are 42% higher than the rates in New York. Verizon must reduce its non-loop rates in Delaware by about 22% (111% / 142% – 1), or $1.75, in order to pass the Commission's benchmark test comparing these rates to those in New York. Even assuming such a reduction, non-loop rates in Delaware would still be among the highest in the Verizon territory, despite the fact that SM costs in Delaware are in the middle of the range.[4]

6. Verizon's excessive non-loop rates in Delaware are even more puzzling in light of the fact that, for purposes of this joint Delaware/New Hampshire section 271 application, Verizon reduced its non-loop rates in New Hampshire by about 18% to ensure that those rates would benchmark to the New York rates.[5] It is unclear why Verizon failed to do the same thing for Delaware. The Commission should reject Verizon's application for Delaware unless Verizon reduces its non-loop rates by at least 22 percent.

IV. VERIZON HAS NOT ADEQUATELY SUPPORTED ITS NON-LOOP RATES

3 See, e.g., NJ 271 Order at ¶ 51; Application of Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization To Provide In-Region, InterLATA Services in Pennsylvania, CC Docket No. 01-138, Memorandum Opinion and Order, 16 FCC Record 17419, 17458 at ¶ 66 (2001), (Pennsylvania 271 Order); Application of Verizon New England Inc., Bell Atlantic Communication, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), and Verizon Global Networks Inc., for Authorization To Provide In-Region, InterLATA Services in Massachusetts, CC Docket No. 01-9, Memorandum Opinion and Order, 16 FCC Rcd 8988, 9000-02, at 23-27 (2001) (Massachusetts 271 Order).
4 For the states in which Verizon has received 271 authorization, non-loop costs range from $3.51 in Rhode Island to $5.52 in Vermont, while costs in Delaware are $3.88.
5 See Hickey/Garzillo/Anglin New Hampshire Declaration at ¶ 29.

7. Verizon has not provided enough information to allow us to perform a full TELRIC assessment of its non-loop rates. Specifically, it has not provided with this application a full list of all inputs used in setting the non-loop rates. Absent this information, WorldCom cannot identify specific input errors that have led to the excessive rates. However, we do know that the rates were set in July 1997 based on a filing made at the end of 1996. Thus the data used to set these rates is over 5 years old.

8. In addition, the PSC in its Phase II proceeding adopted an overhead factor of 5.95 percent for setting certain non-recurring and other rates, but did not require Verizon to use this factor to adjust the non-loop rates set in Phase I, where a 10 percent overhead factor was used. To reduce the overhead factor to 5.95 percent, Verizon used regional, rather than state-specific information, and assigned more costs directly to specific rate elements rather than to overhead.

V. CONCLUSION

9. Verizon's non-loop rates in Delaware fail under the Commission's benchmark test in which Verizon compares its Delaware rates to those in New York, after adjusting for the cost differences between the two states. Verizon's section 271 application for Delaware should be rejected unless and until Verizon reduces its non-loop rates.

10. This concludes my Declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 17, 2002.

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Chris Frentrup